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NOVA SCOTIA

ECONOMIC CIRCUMSTANCES AND OPPORTUNITIES



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One of a series of staff papers prepared by the federal
Department of Regional Economic Expansion
as a contribution to federal-provincial consultations
on regional development policy in Canada .


April, 1973

NOVA SCOTIA
Economic Circumstances And Opportunities



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INTRODUCTION

The Department of Regional Economic Expansion was established in 1969 to consolidate and strengthen the efforts of the federal government to combat regional disparities and support regional development. The Department carried forward the work of the Prairie Farm Rehabilitation Administration, and the administration of agreements signed under the Agricultural and Rural Development Act and the Fund for Rural Economic Development. The program of the Area Development Agency, which was designed to encourage industrial decentralization, formed the basis for introduction by the Department of a similar but more broadly based program under the Regional Development Incentives Act. Commitments made by the Atlantic Development Board were carried out and a new program of infrastructure assistance was introduced under the "special area" provisions of the Department Act.

In 1972, an internal policy review was undertaken to assess the progress being achieved and, particularly, to provide a basis upon which to meet the challenges of regional development in the mid 1970's. This paper is one of a series prepared as a result of that policy review. Separate papers have been prepared for each province (except for Prince Edward Island), the Atlantic Region, the Western Region, and a region defined for analytical purposes as the Western Northlands. For Prince Edward Island, the Development Plan currently in operation provides the framework and mechanism for joint development of priorities and initiatives and in consequence a separate federal paper is not appropriate. Each paper contains a summary of economic and social circumstances and a discussion of possible areas of opportunity for economic and related social development. Together, they are designed to serve as working papers for consultations with each of the provincial governments which, it is hoped, will result in new and improved approaches to regional economic development.

Regional economic development poses complex problems that vary from period to period and from place to place in Canada. No simple nor single solution is likely to be found. New and more flexible approaches are considered necessary and it is hoped that the discussions with the provincial governments will lead to greater and increasingly more effective federal-provincial action to overcome regional disparities and to encourage economic and social development in the slow-growth parts of Canada.

This paper is meant to be read in the context of observations and suggestions contained in a statement made on April 10, 1973, by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Some relevant excerpts from this statement are set out at the end of each paper as an indication of the approach to regional development being suggested.

ECONOMIC CIRCUMSTANCES

BACKGROUND

The first settlements in Nova Scotia were established in 1604. For over a century and a half the colony remained small, enlarging only to about 12,000 people by 1750. During the next 25 years, a modest increase in immigration took place. New Englanders, Irishmen, Scotsmen, Yorkshiresmen, and Germans took up settlement so that by 1775 the population had grown to 20,000, notwithstanding the deportation of some 6,000 Acadians in 1755. Loyalists arriving in Nova Scotia in the wake of the American Revolution made up the next major influx of population with large numbers entering in 1783 and subsequent years.

Until the early 19th century, much of the population was heavily dependent upon British Government settlement grants and compensation for losses incurred in the move from the United States. These grants were essential supplements to the meagre incomes of the settlers, particularly those engaged in agriculture. Some employment was generated by the carrying trade which began to flourish when trade opportunities in the British West Indies were denied to the "Boston" States. This activity was given further impetus in 1807 with the virtual prohibition of all commerce from American ports as a result of the United States Embargo Act. A further boost to the Nova Scotia economy, and that of the Maritimes generally, occurred following the Treaty of Tilsit in 1807. This treaty closed Baltic ports to British shipping, thereby providing an opportunity for the establishment of a very profitable timber export trade to Britain. These two events brought unprecedented economic growth to the province such that by 1851 the population had increased to 277,000 and a thriving economy based upon timber, shipbuilding, trade and fisheries had come into being.

During the early 1860s, a number of fundamental changes in the economic structure of the province took place resulting from the elimination of trade preferences by Britain and a revolution in transportation. The latter had by far the greatest impact. The railways were linking inland communities and extending the agricultural frontier westwards. Steam power

was challenging the traditional supremacy of sail, and the iron ship was beginning to displace the wooden one. The impact of these events was accentuated by the loss in trade that followed the ending of the American Civil War in 1865. Major efforts were made to direct economic activity into other industries as resources were released from the timber trade, shipbuilding and the carrying trade. Surplus labour tended to flow into farming and fishing. There was also some expansion in mining, particularly coal production. Surplus capital was directed into manufacturing, especially textiles, and later into the production of iron and steel.

The wave of immigration and pioneer settlement in Western Canada from 1895 to 1914, followed by World War I, combined to bring a further few years of prosperity to Nova Scotia. Produce, particularly apples, was shipped to Prairie settlers, iron and steel was required initially for railroad construction and later for the demands of war, and the textile and other small industries flourished. However, this quarter-century of prosperity came to an abrupt end soon after the Armistice in 1918. The western markets declined, the competition for the apple market in Britain became keener, the demand for steel diminished, fish prices dropped, and improved railway transport and refrigeration brought increasing competition from West and Central Canada for both manufactured goods and produce.

These events led to a policy of grants and subsidies to Nova Scotia, and to the Maritimes in general, as recommended by the Duncan Commission in 1926. Unfortunately, this support was directed to those low-income industries which were already unprofitable and declining. Hence, for the majority of workers, incomes continued to be low, seasonal and uncertain. The result was the fairly common practice of combining marginal farming, fishing, and lumbering activities in order to provide a modest living.

It was not until World War II that Nova Scotia was able to extricate itself from this economic depression. As in previous international conflicts, the province benefited from its strategic location and ability to supply war needs. With the cessation of hostilities in 1945, Nova Scotia reverted to its previous position as one of the slow-growth provinces of Canada. From 1946 to 1961, its share of the total Canadian population dropped from 5.0 to 4.0 per cent while its share of personal income declined from 4.2 to 3.1 per cent. Economic activity in the province was concentrated for the most part in natural resource and port activities. At the same time, however, efforts were launched which it was hoped would diversify the economy through the development of secondary manufacturing and services. The first phase of these

endeavours, as reflected in public policy up to the early sixties, was largely concerned with setting the "climate" for growth and development with an emphasis on structural adjustments, infrastructure needs, and the reduction of adverse demand and supply conditions.

RECENT PAST

Over the 1960s, the Nova Scotia economy registered increases in most production sectors (cf. Table 1). Nonetheless, the province's position within the Canadian economy continued to diminish, in large measure because of an output decline in the sectors that had traditionally formed its economic base. In particular, employment in mining and defence fell off sharply over the decade. These trends were only partially offset by modest employment gains in manufacturing and transportation. As a consequence, people continued to leave the province, the unemployment rate remained well above the national average, and labour force participation rates fell further behind those in the country as a whole.

The Nova Scotia economy enters the 1970s with several major problems. While new economic activity, particularly in manufacturing, is being attracted to the province, the total impact is often much less than it could be because of basic structural weaknesses in the provincial economy. Moreover, the job gains associated with the new manufacturing ventures are often offset by job losses in more traditional activities. In the last few years, it has often appeared that the province has been on a treadmill leading to the conclusion that bold new initiatives on a broad front will probably be required to move the Nova Scotia economy on to a self-sustaining growth path.

Population

By 1971, Nova Scotia's population had reached 790,000, an increase of 53,000 over the preceding decade. This performance represented an average annual growth rate of 0.7 per cent; the equivalent national rate was 1.7 per cent. As a consequence, the provincial share of the national population fell from 4.0 per cent in 1961 to 3.7 per cent ten years later. The differential between the Nova Scotia and national rates, however, tended to narrow over this period. Whereas between 1961 and 1966 it was 1.4 percentage points (i.e. a national rate of 1.9 per cent compared to a provincial rate of 0.5 per cent), between 1966 and 1971 it had narrowed to 0.6 percentage points. This phenomenon reflected a sharp decline in net migration from the province during the latter period relative to the earlier one. Between 1961 and 1966, i.e. from 1962 to 1966

TABLE 1

SELECTED ECONOMIC INDICATORS: DECENNIAL RATES OF CHANGE BY PROVINCE/REGION, 1961-71

	Population	Labour Force	Employment	Census Value Added in the Goods Producing Sector ^a	Value of Manufacturing Shipments ^b	Personal Income Per Capita	Investment Per Capita	GNP/GRP/GPP
	%	%	%	%	%	%	%	%
Canada	18.3	32.4	33.4	93.5	101.3	106.2	94.0	134.8
Atlantic Region	8.4	18.4	21.9	117.6	91.0	114.7	149.0	131.2
Newfoundland	14.2	na	na	179.2	97.5	130.1	149.8	161.6
<u>Nova Scotia</u>	<u>7.2</u>	<u>na</u>	<u>na</u>	<u>97.3</u>	<u>97.2</u>	<u>103.3</u>	<u>132.4</u>	<u>117.5</u>
New Brunswick	6.2	na	na	95.7	82.2	120.0	132.5	130.6
Prince Edward Island	6.7	na	na	97.2	101.9	125.3	60.4	137.2
Quebec	14.6	31.5	33.0	79.4	86.1	103.4	66.4	125.5
Ontario	23.5	35.3	35.7	96.1	114.6	103.0	101.1	151.0
Prairie Region	11.5	21.4	121.6	100.6	81.9	114.6	69.1	na
British Columbia	34.1	58.4	60.7	92.0	101.3	96.0	120.5	164.1

a1961-70

b1961-69

na: not available

Sources: Computed from various Statistics Canada data sources with the exception of the NB GPP figure which reflects provincial government estimates.

inclusive, net migration from Nova Scotia averaged 8,100 per year, reaching a peak of 10,300 in 1965. By comparison, in the latter half of the 1961-71 decade, i.e. from 1967 to 1971 inclusive, the annual average was only 800.

Not all areas of the province shared equally in the population gains registered during the 1960s. The Halifax Metropolitan Area alone accounted for three-quarters of the total absolute increase. In contrast, the population of Cape Breton remained essentially unchanged in 1971 as compared with ten years earlier. Most of the remaining areas of Nova Scotia showed at best only marginal population gains.

The below-average growth in the Nova Scotia population was related primarily to the lack of employment opportunities in the province relative to the more rapidly-expanding parts of Canada. It is significant then that net migration from the province fell off drastically between 1966 and 1971, a period of slow economic growth in Central Canada. Obviously, the option of migration became much less attractive to Nova Scotians during the second half of the decade irrespective of local developments.

Table 2 shows the age distribution of the population in 1961 and 1971 for selected age groupings. Assuming that the economically-active population is composed of the age group, 15-64, and that the younger and older segments are dependent on the efforts of the core group, then the Nova Scotia dependency ratio was significantly above the national one in both 1961 and 1971. Moreover, the Nova Scotia/Canada differential showed no tendency to narrow over the decade. While the proportion of senior citizens in Nova Scotia increased between 1961 and 1971, the relative size of the 0-14 age group declined as a result of a falling birth rate. The net effect was an increase in the relative importance of the 15-64 age group.

Table 2

<u>POPULATION AGE DISTRIBUTION</u>				
<u>NOVA SCOTIA AND CANADA, 1961 and 1971</u>				
<u>Year</u>	<u>Age Grouping</u>			<u>Dependency Ratio</u> (0-14 & 65 & over/ 15-64)
	<u>0-14</u>	<u>65 & over</u>	<u>15-64</u>	
	%	%	%	
1961 NS	34.8	8.6	56.6	0.77
1961 Canada	34.0	7.6	58.4	0.71
1971 NS	30.5	9.2	60.3	0.66
1971 Canada	29.6	8.1	62.3	0.60

Source: Computed from Census of Canada data.

The natural rate of increase in the Nova Scotia population showed a decline from 17.6 per thousand in 1961 to 10.1 a decade later. The annual average over the decade was about 13.0 per thousand.

The birth rate in Nova Scotia declined sharply between 1961 and 1971, from 26.1 per thousand to 18.9. Thus, the Nova Scotia experience mirrored the national one; the all-Canada birth rate fell from 26.3 to 17.3 per thousand over the decade. In contrast, this correspondence between province and nation did not occur in the case of death rates. The Nova Scotia figure rose from 8.4 to 8.7 per thousand between 1961 and 1971, whereas the national one dropped from 7.7 to 7.3 per thousand. This difference reflected in part the province's relatively aged population.

Nova Scotia possesses a diverse cultural heritage. There are important differences in attitude and life style between the more rural and urban sections of the province for example and between Cape Breton Island and the mainland. This cultural diversity does much to enhance the Nova Scotia environment.

On the other hand, from a language viewpoint, Nova Scotia society is relatively homogeneous by Canadian standards. In the 1971 Census, 93 per cent of the provincial population reported English as their mother tongue compared with 60 per cent for the country as a whole. As a corollary, the Nova Scotia percentages for the French language and languages other than French and English were only five and two per cent respectively in 1971, compared with 27 and 13 per cent at the national level. Only in three counties, Digby, Inverness and Richmond, did the English proportion fall below the 80 per cent mark; all three possessed fairly large French-speaking populations.

Urban Trends

The level of urbanization in Nova Scotia is well below the Canadian average. In 1971, only 57 per cent of the Nova Scotia population was urban compared with 76 per cent at the national level. Moreover, between 1961 and 1971, the level of urbanization showed a smaller advance in Nova Scotia than in the country as a whole; at the beginning of the decade, the provincial and national percentages were 54 and 70 per cent respectively.

Nova Scotia possesses only one major urban centre, Halifax -- it had a metropolitan population of 222,600 in 1971 (see Table 3). The city's relative position within Nova Scotia increased in importance between 1961 and 1971; its share of the provincial population rose from 24.9 to 28.2 per cent. In sharp contrast, almost 50 per cent of the total Canadian population

TABLE 3

SELECTED ECONOMIC DATA FOR MAJOR INCORPORATED CENTRES IN
NOVA SCOTIA, 1960/61 - 1970/71

	Population		Total Taxable Income		Value of Retail Sales		Value of Manufacturing Shipments	
	1961	1971	1960	1970	1961	1971	1960 ^a	1970
				\$M		\$M	\$M	
Halifax (Metro)	183,746	222,637	189.9	364.8	221.4	370.7	146.5	237.6
Sydney	33,617	33,230	59.3	194.9	50.3	66.6	na	104.1
Glace Bay	24,186	22,440	b	b	18.2	25.3	2.0	1.6
Truro	12,421	13,045	14.2	50.7	21.8	40.5	10.8	30.2
New Glasgow	9,782	10,850	9.8	27.6	17.5	34.5	6.7	11.8
Amherst	10,788	9,965	na	23.2	17.9	24.6	11.1	22.0
Total	274,540	312,167	na	661.2	347.1	562.2	na	407.3
Total Province	737,007	788,960	472.8	1,367.1	605.1	1,022.9	406.2	759.0
Major Centres as % of Province	37.3	39.6	na	48.4	57.4	55.0	na	53.7

na: Not Available

^a Value of production rather than value of shipments.

^b Included with Sydney.

Source: Statistics Canada, Census of Canada (Population) & Census of Canada (Retail Trade); Financial Post, Survey of Markets, 1963 and 1972 editions.

was residing in centres of 100,000 or more by the beginning of the 1970s.

Other major Nova Scotian centres are Sydney and Glace Bay in Cape Breton,¹ and Truro, New Glasgow and Amherst in the northern part of the province. The only centre displaying a significant increase in size between 1961 and 1971 was New Glasgow; its population rose by 11 per cent to 10,850. Truro grew by five per cent to 13,000 over the same period while Sydney, Glace Bay and Amherst declined in size by varying amounts to approximately 33,200, 22,400 and 10,000 respectively.

ECONOMIC INDICATORS

Gross Provincial Product (GPP)

The production of goods and services in Nova Scotia expanded at a below-average rate over the 1961-71 decade. As a result, the province's share of the GNP declined from 2.9 to 2.7 per cent (see Table 4). However, because of the population developments noted earlier, Nova Scotia's performance in per capita terms was rather more favourable. GPP per person rose from 72.7 to 74.3 per cent of the all-Canada level between 1961 and 1971 with nearly all of this relative gain occurring in the last three years of the period. The indicator fluctuated considerably over the decade suggesting that recent levels may not necessarily be illustrative of the underlying trend.

Personal Income

Personal income in Nova Scotia more than doubled between 1961 and 1971 from \$946 million to \$2,060 million (cf. Table 5). As in the case of the GPP, this increase was less than its national counterpart with the result that Nova Scotia's share of the all-Canada total fell from 3.1 to 2.8 per cent. More importantly perhaps, personal income and earned income per capita in Nova Scotia as a proportion of the appropriate national average were both somewhat lower in 1971 than a decade earlier. Wide year-to-year variations, however, tend to obscure the underlying trends. While Nova Scotia remained the least disadvantaged province in the Atlantic Region in terms of per capita income during the 1960s, it was the only province among the four in which the standard of living did not converge significantly towards the all-Canada average.

Per capita personal income in Nova Scotia throughout the 1961-71 decade was roughly 23 per cent below the national

¹ The total population of the Sydney-Glace Bay urban area was 91,200 in 1971 or 600 less than in 1966.

TABLE 4

NOVA SCOTIA'S GROSS PROVINCIAL PRODUCT
SELECTED INDICATORS, 1961-71

Year	GPP	Annual Change In GPP	GPP as a % of Canada	GPP Per Person	GPP Per Person as a % of Canada	Annual Change In GPP Per Person
	\$M ^a	%	%	%	%	%
1961	1164	na	2.94	1579.4	72.7	na
1962	1227	5.41	2.86	1644.8	71.2	4.1
1963	1296	5.62	2.82	1725.7	71.1	4.9
1964	1408	8.64	2.80	1864.9	71.5	8.1
1965	1509	7.17	2.73	1996.0	70.8	7.0
1966	1649	9.28	2.67	2181.2	70.6	9.3
1967	1786	8.31	2.69	2350.0	72.1	7.7
1968	1957	9.57	2.70	2551.5	72.8	8.6
1969	2178	11.29	2.73	2810.3	74.0	10.1
1970	2370	8.82	2.77	3030.7	75.5	7.8
1971	2532	6.84	2.72	3205.1	74.3	5.8

^aAs elsewhere in this paper, all dollar figures are in current dollars.

na: not available

Source: GPP estimates were prepared by the Atlantic Provinces Economic Council.

TABLE 5

**PERSONAL INCOME IN NOVA SCOTIA
SELECTED INDICATORS, 1961-71**

Year	Personal Income		Farm Income as a % of Personal Income		Personal Income Per Capita		Earned Income Per Capita		Govt. Transfer Payments Per Capita	
	\$M	Nova Scotia	Canada	\$	Nova Scotia as a % of Canada	Nova Scotia as a % of Canada	Nova Scotia as a % of Canada	Nova Scotia as a % of Canada	Nova Scotia as a % of Canada	Nova Scotia as a % of Canada
1961	946	2.01	2.7	1,284	77.8	76.4	103.2			
1962	995	1.61	4.2	1,334	75.6	73.5	103.5			
1963	1,043	1.44	4.1	1,389	75.5	73.3	106.6			
1964	1,108	1.26	3.2	1,468	75.9	73.5	108.6			
1965	1,181	1.27	3.5	1,562	74.7	72.4	108.6			
1966	1,302	1.15	3.9	1,722	74.8	72.3	110.8			
1967	1,446	1.04	2.6	1,903	76.7	74.0	110.9			
1968	1,580	1.01	2.8	2,060	76.6	74.4	105.5			
1969	1,759	1.25	2.3	2,270	77.1	75.1	103.1			
1970	1,904	1.10	1.7	2,435	77.9	76.7	98.1			
1971	2,060	0.78	2.0	2,611	76.7	74.9	98.5			

Source: Statistics Canada, National Income and Expenditure Accounts: Historical Revision, 1926-1971.

average. In contrast, per capita government transfer payments to individuals as a percentage of the all-Canada level fell over the decade in Nova Scotia from 103.2 to 98.5 per cent. This decline was due to the sharp increase in federal government transfer payments to Canadians generally and Nova Scotia's relatively slow rate of population growth.

Investment

An important factor behind the variations in GPP and GPP per capita in Nova Scotia, especially in relation to the country as a whole, was the level of investment activity in the province. It is significant that total investment in Nova Scotia as a proportion of the national total was well above historical levels in both 1970 and 1971 (see Table 6). This was largely a reflection of the high level of manufacturing investment in the province associated particularly with the Michelin and Sydney Steel developments.

Because of the considerable year-to-year variation in the rate of change in the investment series, it is difficult to discern any clear-cut trend in Nova Scotia's share of total investment in Canada. For example, the 1972 investment intentions survey indicated a decline in Nova Scotia's share to 2.9 per cent, reflecting for the most part a sharp fall-off in manufacturing investment in the province. Between 1961 and 1971, there was a fairly clear upward trend in per capita investment in Nova Scotia as a proportion of the all-Canada level. Even in 1972, per capita investment intentions in the province were nearly 80 per cent of the national average compared with 70 per cent in 1961.

Perhaps the most noteworthy feature of the sectoral distribution of investment activity in Nova Scotia over the 1960s was manufacturing's generally high share, especially relative to the sectoral distribution at the national level. This observation is particularly striking since manufacturing accounts for a much smaller proportion of the work force in Nova Scotia than in the country as a whole. A major part of the explanation lies in the highly capital-intensive nature of recent additions to the province's manufacturing sector, such as the pulp and paper mill and petroleum refinery on the Strait of Canso, the two heavy water plants on Cape Breton Island, and the two Michelin operations, together with the Sydney Steel modernization program.

It can be argued that the capital-intensity of much recent manufacturing investment in the province and the high leakages out of the province associated with this investment spending have been important causal factors behind the slow growth in total employment in Nova Scotia in recent years. During

TABLE 6

INVESTMENT IN NOVA SCOTIA--SELECTED INDICATORS, 1961-71

Distribution of Total Investment by Sector																	
Year	Total Investment ^a			Per Capita as		Total		Primary Industries and Construction		Housing, Institutional Services and Government Departments		Utilities		Trade, Finance And Commercial Services		Manufacturing	
	\$M	Per Cent of Canada	Per Cent of Canada	Per Cent of Canada	Per Cent of Canada	Per Cent of Canada	Per Cent of Canada	Primary Industries and Construction		Housing, Institutional Services and Government Departments		Utilities		Trade, Finance And Commercial Services		Manufacturing	
								Nova Scotia	Canada	Nova Scotia	Canada	Nova Scotia	Canada	Nova Scotia	Canada	Nova Scotia	Canada
1961	315.3	2.8		69.9	100.0	11.6	15.4	47.8	38.2	14.0	21.6	8.8	9.0	17.9	15.8		
1962	313.5	2.6		65.8	100.0	13.8	15.5	49.8	39.2	14.9	19.7	9.5	8.6	12.0	17.0		
1963	333.9	2.6		66.0	100.0	11.6	16.2	46.1	38.3	16.9	20.0	10.1	8.6	15.4	16.9		
1964	376.8	2.6		66.1	100.0	15.4	16.6	39.6	36.5	16.1	19.8	12.1	8.5	16.7	18.7		
1965	433.8	2.6		67.1	100.0	11.8	16.3	44.0	35.5	15.6	19.6	8.6	8.9	20.0	19.7		
1966	536.9	2.8		73.1	100.0	9.2	16.5	43.9	33.9	14.8	19.9	6.7	9.1	25.4	20.6		
1967	597.0	3.0		80.4	100.0	10.9	16.7	40.5	35.0	14.9	20.8	8.6	9.0	25.0	18.4		
1968	604.9	3.0		80.6	100.0	12.6	16.3	44.1	37.3	16.3	21.0	7.7	8.7	19.3	16.8		
1969	695.3	3.1		86.5	100.0	11.1	15.8	45.0	37.1	16.0	19.9	8.2	8.3	19.7	17.6		
1970	763.5	3.3		88.6	100.0	13.6	15.6	39.0	35.1	14.0	20.7	7.2	8.8	26.2	19.8		
1971 ^b	785.6	3.1		83.7	100.0	11.4	16.5	40.3	37.8	14.1	20.4	5.8	8.2	28.4	17.1		

^aTotal investment = total new capital and repair expenditures on construction and machinery.

^bPreliminary actual data.

Source: Canada Department of Industry, Trade and Commerce and Statistics Canada, Private and Public Investment in Canada: Outlook and Regional Estimates, SC Cat. # 61-205, various issues.

the same ten-year period that Nova Scotia's share of total investment in Canada showed some tendency to increase, the province's share of national employment experienced a significant decline.

Output

Tables 7 and 8 contain net value of production data for Nova Scotia. Table 7 shows the percentage distribution of the value added by each industrial sector in the province and Canada during 1961 and 1970, and the relative changes in these distributions over the 1960s. Table 8 indicates the net value of production by industry in Nova Scotia during 1961 and 1970 in dollars and compares the percentage increases in Nova Scotia over the 1960s with those in Canada. The net value of production in Nova Scotia increased by 103.6 per cent between 1961 and 1970, from \$1,164 million to \$2,370 million. Over the same period, the nation's net value of production increased by 115.5 per cent. All sectors of the Nova Scotia economy with the exception of forestry recorded increases in output over the decade, the largest percentage gains being made by construction (189%), the service sector (107%), fishing (101%) and manufacturing (91%). The dominant sectors in absolute terms both in 1961 and 1970 were services, manufacturing and construction in that order.

The two percentage distributions of the value added by each economic sector did not alter greatly over the 1960s. The largest change was in construction which registered a 2.7 percentage point share increase. Relative to changes at the national level, the most striking occurrence in Nova Scotia between 1961 and 1970 was the very small increase in the service sector's share of total output. The provincial figure was only 1.0 percentage point compared with 4.7 points in Canada. It would appear by way of explanation that increases in personal and business services in the province were almost totally offset by a decline in local defence activity. Nonetheless, the service sector in 1970 remained a more dominant factor in Nova Scotia than in the country as a whole, reflecting the many federal government activities based in the province and Halifax's service centre role within the Atlantic Region. In contrast, with the exception of construction and fishing, the relative weights of the commodity-producing industries in Nova Scotia in 1970 were well below the weights of those industries at the national level. Even the situation with regard to construction may have been temporary since it probably reflected the investment boom in the province around the end of the 1960s associated with manufacturing developments.

TABLE 7

STRUCTURAL CHANGES,
NOVA SCOTIA AND CANADA, 1961-70

<u>Industry</u> ^a	<u>Net Value of Production</u>					
	<u>Nova Scotia</u>			<u>Canada</u>		
	<u>1961</u>	<u>1970</u>	<u>Change in Relative Weight of Industry, 1961-70</u>	<u>1961</u>	<u>1970</u>	<u>Change in Relative Weight of Industry, 1961-70</u>
	%	%		%	%	
Manufacturing	13.8	13.0	-0.8	26.3	23.5	-2.8
Construction	6.5	9.2	+2.7	7.0	7.2	+0.2
Mining	3.4	2.5 ^b	-0.9	4.4	4.5	+0.1
Agriculture	2.7	1.8	-0.9	4.5	3.3	-1.2
Fishing	2.4	2.3	-0.1	0.3	0.2	-0.1
Electric Power	2.1	1.8	-0.3	2.1	2.0	-0.1
Forestry	1.0	0.5	-0.5	1.7	0.8	-0.9
Trapping	na	na	na	na	na	na
Total Goods- Producing	32.0	31.0	-1.0	46.3	41.6	-4.7
Services ^c	68.0	69.0	+1.0	53.7	58.4	+4.7
GPP	100.0	100.0	na	100.0	100.0	na

na: not applicable/insignificant

^aRanked by size of net value of production or value added in Nova Scotia in 1961.

^bDerived from a preliminary datum.

^cResidual figures obtained by subtracting the value added by the goods-producing industries from the GPP. They comprise domestic factor incomes earned in the service industries, plus indirect taxes, less subsidies, less income paid to non-residents, plus income earned outside the province by residents, and may either overstate or understate the true net value of service output.

Source: Computed from Statistics Canada, Survey of Production, 1970, Cat. #61-202, and Table 4 above.

TABLE 8
OUTPUT GROWTH IN NOVA SCOTIA
BY INDUSTRY, 1961-70

Industry ^a	Net Value of Production			
	Nova Scotia		Canada	
	1961	1970	Per Cent Increase	Per Cent Increase
	\$'000	\$'000		
Construction	75.2	217.0	188.6	119.8
Fishing	27.7	55.6	100.7	84.3
Manufacturing	161.2	308.1	91.1	92.1
Electric Power	25.0	42.2	68.8	102.9
Mining	39.9	58.5 ^c	46.6	124.7
Agriculture	31.8	41.7	31.1	60.6
Trapping	0.18	0.19	5.6	12.8
Forestry	11.6	11.4	-1.7	2.5
Total Goods-Producing	372.4	734.7	97.3	93.5
Services	791.6 ^b	1,635.3 ^b	106.6	134.5
GPP	1,164.0	2,370.0	103.6	115.5

^a Ranked by size of percentage increase in Nova Scotia over the 1961-70 period.

^b See Table 7.

^c Preliminary datum.

Source: See Table 7.

Labour Force and Employment

Between 1965 and 1972, the Nova Scotia labour force grew by 25,000 people to a level of 267,000 (cf. Table 9). The average annual growth rate was 1.4 per cent or less than half the national rate of 3.2 per cent. As a consequence, the province's share of the national labour force total fell from 3.4 to 3.0 per cent. Employment in Nova Scotia rose by 18,000 over the same period, from 229,000 to 247,000. Again, the average annual rate of increase was 1.1 per cent, well below the national average of 3.0 per cent. The absolute size of the year-to-year employment advances was far from uniform -- indeed, employment actually fell between 1970 and 1971. Like the labour force and employment, unemployment in Nova Scotia also moved upwards between 1965 and 1972, from 13,000 to 20,000. The unemployment rate was more or less steady at about 5.5 per cent from 1965 to 1970 but it then jumped sharply to 7.6 per cent where it has, with only minor changes, subsequently remained. At 33.3 per cent, the increase in the number of unemployed between 1970 and 1971 was particularly strong.

Despite the relatively modest employment gains in Nova Scotia over the 1965-72 period, the gap between the provincial and national unemployment rates narrowed somewhat. Thus, the difference between the two was negligible in 1970 and only 1.2 percentage points in 1972 compared with an average of 1.5 percentage points between 1965 and 1967. This diminution stemmed from two factors -- the high out-migration experienced by Nova Scotia, especially during the first half of the 1960s, and more importantly, the secular decline which occurred in the Nova Scotia labour force participation rate.

While it varied marginally over the 1965-72 period, the aggregate participation rate in the province was relatively stable at roughly 49.1 per cent, the 1972 figure. In contrast, the male rate declined from 71.8 to 68.4 per cent, while the female rate rose sharply from 26.9 to 30.6 per cent. At the national level, the male decline was smaller than in Nova Scotia, the female advance was greater, and the aggregate rate increased by 2.1 percentage points. Reflecting these various trends, the difference between the Canada and Nova Scotia overall rates rose from 5.4 percentage points in 1965 to 7.4 points in 1972. It would seem then that the lack of new employment opportunities in Nova Scotia discouraged potential workers from joining the labour force or, in some cases, brought about earlier retirements. This problem was apparent in the case of both males and females. The foregoing analysis suggests the danger in relying solely on unemployment rates when comparing levels of manpower utilization.

TABLE 9

NOVA SCOTIA'S LABOUR MARKET -- SELECTED INDICATORS, 1965-72

Year	Labour Force	Employment	Unemployment	Unemployment		Labour Force Participation Rates					
				Rate		Total		Male		Female	
				Nova Scotia	Canada	Nova Scotia	Canada	Nova Scotia	Canada	Nova Scotia	Canada
				%	%	%	%	%	%	%	%
	'000	'000	'000								
1965	242	229	13	5.4	3.9	49.0	54.4	71.8	77.9	26.9	31.3
1966	248	235	13	5.2	3.6	49.8	55.1	72.4	77.8	28.0	32.8
1967	252	238	14	5.6	4.1	50.1	55.5	71.8	77.5	29.6	33.8
1968	254	239	15	5.9	4.8	49.8	55.5	70.7	77.0	30.3	34.4
1969	258	244	14	5.4	4.7	49.7	55.8	69.3	76.6	30.9	35.2
1970	261	246	15	5.7	5.9	49.4	55.8	68.6	76.4	31.1	35.5
1971	264	244	20	7.6	6.4	49.3	56.1	69.0	76.1	30.7	36.5
1972	267	247	20	7.5	6.3	49.1	56.5	68.4	76.2	30.6	37.1

Source: Statistics Canada, Labour Force, Cat. # 71-001.

Fiscal Capacity

Table 10 illustrates the revenue-generating capacity of all 10 Canadian provinces for the fiscal year, 1971-72. It can be seen that Nova Scotia exhibited a per capita fiscal capacity well below the all-provinces average. Taking the latter as 100.0, the comparable Nova Scotia figure was 73.0. This rather inauspicious showing reflected in considerable measure the province's relatively slim personal and corporate income tax bases. However, the situation confronting government in the province is improving; Nova Scotia's relative fiscal capacity position in 1963-64 was only 66.2 per cent of the all-provinces average.

Table 10 also shows that Nova Scotia's tax effort in 1971-72 was surpassed by all provinces except Alberta. Indeed, the province's relative effort declined between 1963-64 and 1971-72 from 94.4 per cent of the all-provinces average to 91.9 per cent. We have here then the unique case of a province with a relatively meagre revenue base making relatively modest fiscal demands on its citizenry.

PROJECTIONS

What will the future be if Nova Scotia continues along the path it has been on for the past decade? This section attempts to comment on and forecast some of the current trends in the Nova Scotia economy. It is assumed that most economic forces will not change dramatically, that existing federal and provincial policy mixes will remain broadly the same, and that no major new factors will appear in the near future. This section does not describe what should or could be made to happen--that is the subject of some of the following parts of this paper. This section merely attempts to suggest what might happen if existing trends and policies remain essentially unaltered. Of course, the basic approach to development inherent in subsequent parts is to shift the trends so that the negative aspects of what might happen will not in fact occur.

Agriculture will likely continue to play a minor and declining role in the Nova Scotia economy. While some absolute increases in output can be anticipated for both crops and livestock, the number of farms and farmers will probably continue to decline both absolutely and relative to Canada. The major growth prospects appear to involve poultry, hogs, fruit and vegetables. The scope for marked gains through rationalization of production activities and present product mix appears limited. Hence, commercial agriculture in the province will likely remain primarily local market-oriented with its growth rate reflecting the growth of population and income.

TABLE 10
FISCAL CAPACITY INDICATORS, 1971-72

(Tax Indicator Approach)

	Per Capita Actual Revenue ^a	Per Capita Revenue Yield at Average Provincial Tax Rates	Per Capita Revenue Yield Index at Average Provincial Tax Rates	Index of Tax Effort
Newfoundland	\$279.15	\$245.27	53.9	113.8
Prince Edward Island	283.99	267.32	58.6	106.7
<u>Nova Scotia</u>	<u>305.76</u>	<u>332.77</u>	<u>73.0</u>	<u>91.9</u>
New Brunswick	376.59	304.73	67.2	123.6
Quebec	436.09	381.82	83.8	114.2
Ontario	497.24	504.96	111.1	98.5
Manitoba	397.64	404.07	88.9	98.4
Saskatchewan	384.08	396.14	87.0	97.0
Alberta	495.01	624.60	137.5	79.2
British Columbia	508.57	547.03	120.0	93.2
All Provinces	453.92	453.92	100.0	100.0

^aFrom 16 major tax sources.

Source: Department of Finance, unpublished data (July 1971).

In Nova Scotia's fisheries sector, value added increased steadily over the last decade; the rate of increase was more rapid than in the country as a whole. However, the quantity of fish landed went down over the 5-year period ending in 1971, a trend which continued in 1972. The fishing industry in the province is much better organized and equipped than the industry elsewhere in the Atlantic Region and value added per fisherman employed is some 70 per cent higher than the national average. In general, prospects differ for the inshore and offshore fisheries. The consensus is that a viable inshore fishery will likely require a considerable reduction in the number of fishermen and increased investment in fishing craft and gear. For the offshore fishery, the prospects are for some increases in output and increasing returns to crews and vessels, although growing competition from other countries in the North Atlantic will limit the rate of advance. The process of adjustment necessary to achieve a viable inshore fishery will likely continue to be impeded by slow growth in alternative employment opportunities as well as by sociological and institutional factors.

During the 1960s, productivity in the Nova Scotia forestry industry improved but it still continues to be lower than that in British Columbia, Ontario and Quebec. The present softwood utilization rate of between 75 and 84 per cent suggests that, for growth and development in future, one must look to improved forest management. However, since more than half of the forest land is held by small landowners, rationalization will likely be slow for reasons similar to those outlined above for the inshore fishery. As a consequence, significant output gains based on rationalization are unlikely to be achieved in the near future. An improvement in the hardwood utilization rate is probable, but its magnitude will depend primarily on technological developments and the economics of substituting hardwood for softwood. In any event, a utilization rate above 35 per cent is not anticipated before 1980. The pulp and paper industry will likely benefit more than lumber producers from a continuance of existing ownership conditions and forest management practices.

Overall, it would appear that the forestry sector will probably continue to be of minor importance in the Nova Scotia economy and will likely generate few, if any, new employment opportunities. Associated with this, a significant portion of Nova Scotia's demand for lumber products will probably continue to be met from outside sources of supply.

The role of mining in the Nova Scotia economy declined considerably over the 1960s. Largely as a result, Nova Scotia's share of national mineral output dropped from three per cent in 1959 to one per cent a decade later. The mineral

development potential of Nova Scotia apart from the important possibility of offshore oil discoveries would appear to be limited. Moderate growth can be predicted in connection with the industrial minerals, viz., barite and gypsum, and fairly strong gains can be foreseen in the case of structural materials on the assumption that construction expenditures will remain high. The opening of the Lingan mine will likely reduce the rate of decline in the coal industry but an improved competitive position for Nova Scotia coal over the long term is a matter still calling for careful assessment. Finally, while employment opportunities may arise from the discovery of substantial supplies of offshore oil and gas, the long-term employment impact of such an event will not likely be very significant from a purely mining point of view although, given a concerted effort to maximize local participation, the non-mining employment potential associated with offshore finds could be considerable. In sum, the expectation is that employment in the Nova Scotia mining sector will, at best, remain at its present level.

Value added and employment in Nova Scotia's manufacturing industry both showed gains somewhat lower than the Canadian average over the 1960s. While investment activity was high over the latter part of this period, it was concentrated, as noted earlier, in capital-intensive projects having only limited employment potential with some minor exceptions relating to traditional economic activities such as foods and beverages, fish processing and wood processing.

While current developments appear to suggest that the Nova Scotia manufacturing sector could realize fairly substantial output gains over the next few years, given the capital-intensive nature of many new production units, e.g., the heavy water plants, employment gains could be relatively modest. Moreover, the total impact of these new sources of production on the Nova Scotia economy could be further constrained by, first, high import leakages during the construction phase, and, secondly, the lack of linkages with other Nova Scotian industries once they come on stream.

In response to growing provincial and regional demands, some employment and output gains may also be realized in local market-oriented activities. On the other hand, with the exception of firms like Michelin and Hermes Electronics, export-oriented secondary manufacturing activities will probably continue to be under-represented in the province. There is also the possibility that the employment gains implicit in the new plants may be partially offset by further job losses in Nova Scotia's more traditional pursuits such as the making of iron and steel, fish processing, sawmilling, and perhaps ship-

building and the fabrication of other transport equipment. In summary, while the gains in manufacturing output might be substantial, these will likely not be translated into major additions to the Nova Scotian manufacturing work force.

With respect to the energy sector, thermal power rates in Nova Scotia are generally competitive with those prevailing elsewhere in Atlantic Canada; consequently, they do not appear to be a constraint on the attraction of industry to the province. Nonetheless, there has been some re-thinking recently of the economic feasibility of tidal power from the Bay of Fundy. Should this highly capital-intensive project ever materialize, however, it is not expected to have a major impact on Nova Scotia before 1980.

During the 1960s, the construction sector was the most vigorous one in Nova Scotia, expanding at well over the national rate of growth. Its importance as one of the major growth-generating sectors in the province is expected to continue, due partly to the highly capital-intensive projects anticipated in the manufacturing field. The demand for housing will likely offer a further stimulus to growth.

Tourism in Nova Scotia increased by 35 per cent between 1966 and 1971 and a further increase of at least 50 per cent could materialize by 1980. However, the returns to the province from this activity will likely remain much smaller than they could be because of high import leakages related in part to the lack of a major local handicrafts industry. It is also of concern that the average tourist remains in Nova Scotia for a relatively short period of time.

Activity-related industries such as transportation, communications, trade and personal services will generally grow in tandem with real increases in Gross Provincial Product. A partial exception to this rule involves that portion of the above industries associated with the new deepwater port at Canso and the container-port at Halifax. Port-related activities will probably grow faster than the GPP. Some increase in other service activities may occur based on growth in Halifax's regional service centre role. Finally, declines in defence employment may take place but at a much slower pace than in the recent past.

In sum, to the extent that current trends persist, few if any employment gains will likely be achieved in the sectors that have traditionally constituted the province's economic base, viz., mining, manufacturing, forestry, transport and defence. New job creation will probably thus be concentrated largely in tertiary industries such as trade and community, business and personal services. Bringing these factors together,

the conclusion is that the rate of employment growth in Nova Scotia will likely continue to lag well behind the comparable national figure. As a consequence, unemployment rates in the province will probably remain well above the all-Canada level, and labour force participation rates will likely continue to be depressed. Also, out-migration from Nova Scotia will probably return to its relatively high 1961-66 level reflecting the anticipated upturn in economic activity in Central and Western Canada. Finally, while average wages and salaries in the province might advance somewhat relative to the country as a whole, any gains will probably not affect substantially the per capita incomes of Nova Scotians because of the outlook for the unemployment and participation rates sketched above. Consequently, per capita income in Nova Scotia will likely remain a quarter below the national average.

DEVELOPMENT CONSTRAINTS

Economic development in Nova Scotia has occurred essentially as the evolution of two economies. One is the basic local economy, tracing its path back through Canadian and regional history as set out briefly above. The other, which is much more recent, has been largely imported both through efforts of various governments and in response to outside initiatives. In reality the two economies are minimally interrelated; in consequence, trend projections and aggregate measures of performance of the economy of the province are often misleading guides to development opportunities.

The local economy is an essentially rural, small-industry, resource-based one scattered in community groupings all over the province. It has been evolving slowly, adjusting year by year as people have left the resource sectors as a result of continuing changes in technology, productivity and markets. Some left the resource sectors to enter local, mainly resource-based, manufacturing and service activities. Others migrated, moving to Halifax-Dartmouth or, in fairly large numbers, to destinations outside the province.

Superimposed on this basic structure are a number of significant activities which did not arise from the evolution of the local economy but from national and international institutions, organizations and markets. These include national defence, research, and federal government administrative units which account collectively for a large part of the higher-income activity in Halifax-Dartmouth. Included as well are a number of large industries and branch plants such as Volvo, Michelin and the oil refineries. Also emerging is growing pressure on rural land values generated by demands for space and vacation land emanating from wealthier, crowded areas outside the Atlantic Region.

The effects of all this are pervasive and less than satisfactory. Excluding the high earnings in Halifax-Dartmouth, the local economy in 1971 generated earned income per capita equal to 60 per cent of the Canadian average compared to the equivalent provincial figure which equalled 75 per cent of the Canadian average. At the same time, the people involved, who form the bulk of the Nova Scotia population including a large portion of the Halifax-Dartmouth population, are faced with cost phenomena over which they have little control. The costs of housing, food and services are high and mounting as development exerts demands which the local economy is not organized to meet including demands for labour and land which can force adjustments having pervasive effects on population distribution and community viability throughout the province.

Major developments, in addition to the direct activity which they create, can form the basis for local growth by generating broader local investment opportunities and greater markets for local products and services. Efforts to enlarge economic activity in the province, therefore, can be substantially reinforced by encouraging the local economy to utilize to the full the developmental opportunities arising from externally-induced growth and activity.

OPPORTUNITIES

INTRODUCTION

Identifying opportunities and areas for government initiative is part of the continuing developmental process and should be undertaken largely by those responsible for, affected by, or able to influence subsequent action. In line with this, the following material is intended to illustrate what such an assessment of opportunities might produce. The activities identified are examples only. While the initial testing indicates that they are sufficiently real to warrant investigation, in following through it is more than likely that some will fall by the wayside and new ones emerge.

In exploring potential opportunities for development in Nova Scotia, it appears that major economic developments are on the doorstep. Oil exploration, production and refining, steel, transport, power, commercial services and others are happening or with effort can be made to happen, and once firmly underway will attract other investment interest. The issue is not whether there will be growth but rather the extent to which the opportunities are optimized in both economic and social terms.

There is little question, for example, that the central elements of the gateway transportation system will be put in place - that is happening now. With deliberate initiatives, however, the benefits could be made much greater both to the local economy and to the Atlantic economy. Growth and development at the Strait of Canso is now a reality as the technological advantages of the deepwater port begin to make their impact. Again, however, it would be through close association and joint efforts involving the private sector that it would be possible to bring about developments in a manner which could give greatest long run benefits. Strong interest already exists - it is a matter of encouragement and guidance to achieve the best results.

For the local economy there are opportunities for development sector by sector and area by area across the

province. The long history of adjustment, reliance on imported products and services, and limited opportunity suggest that realization of such opportunities would require specific initiatives to bring about supporting changes in organization, competence and action, often across many elements of the economy.

The dual economy of Nova Scotia poses at the same time a threat and a substantial opportunity and challenge. The opportunities for increased employment and production are real. It is clear, as well, that changes are inevitable and the choice to maintain a distinctive lifestyle will require high levels of competence and organization. In addition, therefore, to the broad initiatives undertaken with respect to major development, the ability of communities to assess their assets and opportunities and to take independent action could be a critical element of provincial and regional social and economic development. It would be essential in ensuring effective development and evolution of the resource-based local economy and is the only apparent means to ensure the integration of the effects of major development into the economic and social fabric of each area.

OPPORTUNITIES TO STRENGTHEN THE ECONOMIC BASE

Limited access, limited commercial services, and limited capacity to provide physical infrastructure have all hampered progress in building up the base for viable self-sustaining activity in the province. This peripheral status has had a pervasive influence on business opportunities and ambitions. Opportunities now appear to exist, however, for major developments in transportation and other services which, if successful, could bring about fundamental changes in the basic viability of the economy of Nova Scotia and of the region. Initiatives taken in these areas could have major and significant benefits throughout the whole provincial and regional economy.

As outlined in the regional paper, there appears to be an outstanding opportunity for initiating a major developmental thrust in transportation, utilizing the Europe-North America trade to provide service for efficient, reliable and low cost access to markets and supplies as required by the local economy. This would restore the provincial economy to a central position in the movement of goods and trade and provide the basis for substantial expansion of viable ventures -- both local and from outside -- in the province.

Current operations at the ports of Halifax and Canso

form the substantial beginnings in Nova Scotia of the gateway transport system described in the regional paper. Rapidly rising container traffic, integrated rail services to the west, and the beginnings of a coastal container service are concrete marks at least of shipping interest. The opportunities, however, are much more extensive. For the system itself, a substantial increase in container traffic in the short run would represent only a modest penetration of the market potential but the buildup of traffic would present early opportunities for broadening services.

Halifax-Dartmouth would have a critical role to play in the development of the gateway system; the system itself would provide substantial opportunity for the Metro region. The construction, operation and servicing of port and related activities on this scale would create substantial economic opportunity, linking back into the capabilities of the city and region for supplies and services of many kinds. The Strait of Canso area would also, in providing services and facilities to support the gateway, reap benefits both directly and from the opportunities which arise from its existence.

For the province to achieve maximum benefit from these developments, the critical task would be to ensure adequate links into the system. Wood products, agriculture, fisheries, specialized manufacturing in areas such as the South Shore, Annapolis Valley and Truro, Pictou and other centres around the province, all have potential for increased production of higher value products given rapid dependable service to large markets outside the region. The gateway system could provide this if the connecting links are made.

The emergence of the transport complex on a scale that provides a unique level of service would be an essential and critical element in the revitalization of Nova Scotia. Strong and integrated efforts between the private and public sectors could bring this system and its regional connecting facilities into operation and effect a fundamental improvement in the basic viability of the economy of the province. It would as well make possible a course of development oriented to taking full advantage of opportunities for development sector by sector and area by area across the province.

Strong opportunities which appear to be emerging for development of a range of sophisticated urban services would also add to the basic viability and dynamism of the province and the region. Such elements as communication; finance; computer services and software; high skill services; research; consultants; design; arts and culture centres; and

other highly specialized activities are important economic activities in themselves and facilitate the expansion and dynamism of other sectors. In 1969, for example, at least 60 per cent (or \$35 million) of the engineering, architectural, planning and industrial design services performed for Nova Scotia and Nova Scotia enterprises were imported.

In view of the growing importance of these services, significant opportunities could be generated if the Atlantic region were able to reduce its reliance upon services supplied as a peripheral market of some other centre. For example, active efforts by a firm in the region to sell computer services or design and printing services would, in effect, provide free but intensive management courses for local businessmen. Alternatively, easy access to dependable business services is an important element in the viable operation of firms locating in the region.

The basic precondition to the provision of such services is a city - particularly an intense, active, viable, livable, highly diversified centre. The largest city in the region, Halifax-Dartmouth, is approaching a level of development which would permit it to provide such services. To obtain optimum impact from the opportunities which do exist, the metro region would likely seek a heavy concentration of development in the downtown core area. Integrated developments starting on the waterfront on both sides of the harbour and expanding in a related way into areas within the Halifax core area could create a heavy concentration of highly diverse activity in an attractive and livable situation.

Federal and provincial support and encouragement to this process should facilitate such development. The effects on the region could be further strengthened by the development of strong links to and among other centres in the region. This expansion of the effective market would assist considerably in development of a regionally based service sector.

Opportunities for improved access, for services and for development in other sectors and in the areas of the province would be reinforced by addition of appropriate infrastructure. Because of a relatively stagnant economy in Nova Scotia over the past half century, there has been a deterioration in public utilities and low levels of new investment in public capital projects. Past decades have seen the development of a situation in Nova Scotia in which facilities such as roads and municipal services have failed to keep pace with developments in higher growth areas. At the same time limited private investment generates a limited base for raising revenue to renew or extend these facilities.

In the developmental process envisaged both the encouragement and servicing of economic growth would require improvements in provincial and municipal infrastructure. It is recognized that these facilities are the responsibility of those governments, but it is also recognized that assistance is required if these facilities are to be improved at the required pace. Thus, a part of the efforts by the Department of Regional Economic Expansion would continue to be to offer to the province assistance for infrastructure in support of economic development.

SECTOR OPPORTUNITIES

To take most advantage of opportunities for development in the province will often require changes in the manner in which many elements operate and interrelate. The excessive fragmentation of the market and production process limits the extent to which any individual element can take independent action. In these circumstances many activities which are viable may need outside initiatives to enable each individual element to act in the knowledge that other things are going to happen.

The approach proposed, therefore, is the initiation of direct joint efforts to identify opportunities or respond to private sector initiatives which require integrated action to bring them to fruition. A number of such opportunities have been identified in the course of the review; while they may prove, in testing, to be non-viable and others emerge instead, they nonetheless appear to be worth exploring.

Heavy Industry

The deepwater port of Canso provides a unique and probably short lived opportunity to develop a heavy industry component of the provincial and regional economy. Substantial benefits in income and employment would be generated but more important, as with transportation, it would place regional activity in a more competitive position and link the region more effectively to the dynamism of international developments.

These possibilities are the result of a combination of circumstances. Bulk cargo and other transportation technologies are changing the economics of location. Also there is currently considerable obsolescence in some industries such as basic steel production in the United States and the European Economic Community, wallboard production in the northeast United States, the United Kingdom and others.

Investment decisions for replacement and expansion must soon be made. Finally there are requirements for expansion in a number of heavy industry sectors such as oil refining, which cannot be met in convenient locations because of conflicts in use of land close to population concentrations and absence of effective access to bulk cargo shipment.

A carefully designed, well managed heavy industry complex with known and high standards of pollution control would appear to be a realistic and high possibility at the Strait of Canso; in fact elements of such a complex are already being actively pursued by the provincial government. In the course of this departmental policy review many potential linkages related to low cost fuel, oil refining and other bulk commodities were identified and some fifty opportunities ranging from slab steel production, gypsum and heavy construction materials appear to be worth further investigation.

Like the transportation gateway, it would be essentially an international facility sensitively organized around international needs and constraints but managed in a manner which provides maximum benefit to the province, the region and to Canada. Careful separation of the complex from the population centres of the region would be essential, but this could be accomplished in time to the substantial benefit of the people concerned.

Opportunities for development of gypsum and steel as part of a heavy industry complex have been explored in a preliminary manner; not to set them up, but to test some of the elements relevant to their viability. These can serve as examples, not so much of the things that might be done, but the approach that might be taken not only to heavy industry development but in other sectors as well.

In 1971, some 4,932,000 tons of gypsum were produced in Nova Scotia, most of it sold for export to wallboard plants in the eastern United States. These plants, many of them owned by companies producing gypsum, are generally old, obsolete and badly located. Population has grown up around them and the product must be shipped to many scattered smaller markets at some distance.

In the past there has been no effective way to move large quantities of the finished wallboard product. The combination of containers, a boat train and a coastal container service change the location economies substantially and in fact these and other factors swing the cost balance in favour of Canadian production. The Canadian plants could supply all markets from one centre on a basis that is both rapid and dependable.

In addition to the United States markets, production could be directed to large and growing markets locally, to Quebec and Ontario and to Europe. The northeast United States market alone would amount to in excess of \$150 million in 1973. Full penetration would benefit from adjustments in tariffs and in fact the duty was reduced from 11 per cent to six per cent in January 1972.

The facts indicate the existence of an opportunity to generate a major income and employment producing activity in the production and marketing of gypsum wallboard. A number of producers are interested and a careful balancing of their interests in Canada, the United States and Europe, together with initiatives with respect to tariffs, transportation, pollution control and local supply requirements could, at an early date, result in a substantial viable industry -- probably at the Strait of Canso.

The gypsum rock in Jamaica and Atlantic Canada cannot rely on more than a fraction of the market. The depth of market penetration to which Atlantic Canada could aspire relates to the effectiveness of the promotion and its timeliness. This opportunity would have to be exploited by a positive sales effort, in connection with the organization of transport services. Competition from Jamaica and other sources points up the inadvisability of resort to severance taxes to capture the profit in exploiting the resource. The best procedure would be to sell the product, not the rock. Restriction, symbolized by a severance tax, would likely be counter productive.

Opportunities for base steel production stem from a number of factors. It is predicted by the International Iron and Steel Institute and the Organization for European Co-operation and Development that by 1985 basic steel making capacity in the world will have to double to meet demand. Current consumption of 435 million tons of crude steel will increase to 800 million tons by 1975 and some 1,100 million tons by 1980. The rate of growth will be more rapid in Europe than in North America but the absolute increase will still be large.

In addition to the growth in base capacity, there will be required early decisions on the replacement of existing obsolete basic production capacity. The changing technologies of transportation and steel production, and the growing importance of environmental considerations, indicate that replacement and expansion at present locations is by no means a foregone conclusion. On the contrary, the economics of scale and transportation tend to point toward tide water locations at deepwater ports.

In this context, the Strait of Canso has some

outstanding advantages. While many elements would require exploration, an effective balancing of national and commercial interests with respect to the steel industry could well result in establishment of major basic steel production capacity at the Strait. This would be an international facility, probably owned by the companies using the steel supply for their finishing mills.

Without in any way ruling out the possibility of other markets in Japan or Europe, there is little question that the approach would have strong attraction to United States and perhaps central Canadian steel producers. The industry is presently at a serious competitive disadvantage, with Japan in particular. Blast furnace operations are both obsolescent and near capacity limits. Expanded finishing mill production requires expansion in basic steel production. The opportunity to remove the blast furnace to another location and use the space for expansion of finishing mill capacity, if viable, would be highly attractive.

The facility would be large - probably well in excess of 10 million tons. It would likely be owned by a consortium of users using their present sources of supply of ore and coal at integrated net cost, with production integrated into each company's economic and technological requirements. Its customers would be its owners since the steel industry is highly integrated. The major producers take one profit between the mine and finished product.

A new facility would use assorted raw material and should be integrated with other elements of an industrial complex for sharing of piers, exchange of by-products, energy and services. It would require a suitable delivery system to carry the products to market, over some of the routes used for inward bound general cargo.

Resource Industry

There appear to be quite substantial opportunities for viable development in the resources sector in Nova Scotia. Pursued with vigour and purpose such development could provide people with real choices in where and how they live. Resource development, as well, could serve as a basis for revitalization of groups of communities in areas across the province, providing a focus and initiative around which many other activities and interests could develop.

For the bulk of the people of the province living outside Halifax-Dartmouth and Sydney, the resource sectors and related manufacturing assume particular significance. Over

20 per cent of the value of production in these areas is generated in these sectors, which employ more than 30 per cent of the labour force. The local service activity generated and maintained by the resource sectors adds another significant proportion of total activity at the local level. In these circumstances even modest gains in total resource activity could generate important changes and shifts in the local economy of the province.

In general, except for coal mining, value added in the resource sectors has been climbing slowly although employment has been stable or declining. In fact, the resource sectors have been reasonably healthy, notwithstanding the fact that institutional and other constraints have limited the extent to which potentially viable opportunities have been pursued.

With increased emphasis on initiation of development opportunities, and concerted action to organize the essential elements, possibilities exist for increased and more diversified production, and for additional manufacturing and other processes to increase value added. The transportation gateway and connecting links would also provide excellent opportunities in all sectors to tap markets which up until now effectively did not exist for business in the Maritimes. The primary benefits would likely arise through small scale, highly diversified and high quality specialty products. In these circumstances, in addition to transportation, initiatives would likely be required to develop distribution and market access systems to service small but sophisticated enterprise. Agriculture, forestry and the fishery all appear to offer substantial potential considered in this perspective.

Looking first at the agricultural sector, there are in Nova Scotia over two million acres of land of good quality for agriculture, in blocks large enough to sustain viable centres of production. The Annapolis Valley, Northumberland Shore and Cobequid Shore have extensive opportunities for major expansion of feed grains, forage and livestock production together with small fruits, apples, vegetables and potatoes. Smaller blocks of land near Antigonish, Sydney, Lunenburg and Yarmouth offer opportunities for production for a local market, and specialty crops for export. Dairy products and poultry meat all have potentials for expansion.

Expansion of basic production could be encouraged through assistance and support of provincial efforts to facilitate consolidation and improved use of land. Historically the pattern of land holding in Nova Scotia has been irregular, bearing little or no relation to the agricultural capability of the land. Properties are described in measured metes

and bounds, making property identification and sale costly and time-consuming with resulting restraints on the consolidation of land holdings. The development, in conjunction with facilitating marketing, of land use planning capability in the province, and of land management facilities, would substantially increase the advantages for the sector, particularly in areas such as the Annapolis Valley where there is strong competition from urban living in the country - an incompatible use near livestock farms and fertilized fields.

The opportunities for major expansion, however, are not so much at the level of production of the basic commodities but rather in the production and sale of specialty products. The high diversity across the province in small area climates, topography and soil conditions make possible the production of a wide range of high quality products, processed or prepared for specialty markets. In the past, inadequate transportation, distribution, and marketing facilities have hampered these developments. Without effective marketing networks each specialty producer has to develop his own. This is difficult and costly for individuals, but the establishment of such general capability could increase value added for products ranging from Lunenburg pickled beans to specialty fruit yogurts, bread, and pre-cut top quality steaks.

Improvements in land use, management and other factors in the production process could generate short run increases in production of basic commodities of 30 per cent to 40 per cent over the current value of production of approximately \$54 million. The real growth opportunities, however, would begin to appear in response to the build up of effective marketing systems and initiatives to encourage and facilitate production of top quality special products in appropriate centres across the province.

There is, also some specific interest in the purchase of fully prepared meals for institutional use. Step by step resolution of problems, and building a system for production and delivery in this market would change completely the prospects for Nova Scotia and Maritime agriculture and fisheries.

Opportunities exist in forestry as well. Approximately 9.6 million acres of Nova Scotia are classified as productive forest, with about half belonging to small holders. The total annual cut of both hardwood and softwood is less than 20 cubic feet per acre or about 3/4 of the annual growth - leaving considerable slack between annual production and annual increment. There is therefore significant opportunity for increased basic production. If presently fragmented holdings could be operationally integrated by shifts in land tenure patterns and policies, and if improvements in cutting practices and other elements were made it would be possible to encourage good

forest management and full utilization of the resource.

There is room for a substantial increase in the value of lumber production. Lumber production in Nova Scotia is essentially a small scale business. Over 300 mills are in operation which produce approximately 200 million board feet annually. Only four mills produce in excess of 6 million fbm and most of the production is low value spruce. Initiatives could be taken to make possible increased scale of operations; to widen the diversity in the kinds of lumber and place more emphasis on higher value woods; to increase capacity for kiln drying to dry and finish all of the production rather than 5 - 10 per cent of it as at present; and to regain the market in the United Kingdom through shipment of resulting high quality dimensioned stock.

Substantial opportunities appear also in the manufacture of wood-using products. The number of wood-using firms in Nova Scotia is approximately 200, most with a very small number of employees. Their output is sold almost exclusively in Nova Scotia. These industries, small as they are, in many cases are unable to obtain local lumber in sustained quantities or prescribed quality. In the face of this it is estimated that more than 50 per cent of the wood based materials and components used in the province are imported.

Opportunities exist for the manufacture for domestic use of doors, cabinets, windows, door and window frames, mouldings, stairs and other woodworking material, most of which is now imported at high cost. In addition, should such efforts be successful and competitive capability be developed, the United States Department of Commerce estimates a potential market of \$250 million in the eastern United States for kitchen cabinets for remodelling, new homes, and mobile homes.

There is room for expansion of value added in pulp and paper as well, although the market is presently rather soft. With the opening up of rapid transport access into Boston, New York and Chicago, however, there would be real possibilities for Canadian based companies to do deals with counterparts in the United States and perhaps Europe, to undertake production of high value business paper.

The Nova Scotia fishery offers interesting opportunities and challenges, particularly in parts of the province where current levels of activity are deemed unsatisfactory. The total value of fish landings in 1971 amounted to \$59.3 million, slightly above the value of agricultural production and an increase of 6.7 per cent over the value in 1970. Some 13,000 people are employed in this sector, which in Nova Scotia is better organized and equipped than elsewhere in the Atlantic.

Value added per fisherman employed was 70 per cent higher than the national average.

There appears to be, moreover, significant opportunities for expansion in the sector. Much of the value added to final consumption is added elsewhere than in Nova Scotia. Expansion of the capacity and ability to produce and market specialty high value products would increase both employment and income and would enable Nova Scotia processors to handle imported fish without jeopardy to Nova Scotian fishermen.

As with agriculture, specialty products require facilities for marketing and often for security of supply. The extremely high quality output of smoked salmon, eel, mackerel and other sea products produced on the eastern shore is hampered both by limited and uncertain access to supply and to markets. There is potential, for example, for commercial production of clams in the Minas Basin area, particularly if that specialty production could be directed into an already existing market network.

Housing

Housing has a dual aspect in the economy. It is both an important service and a substantial economic activity. The annual value of production in Nova Scotia is close to \$80 million and, based on need for service rather than effective demand, could be close to double that amount. This is an area of substantial opportunity for economic development. At the same time the difficulties experienced by the economy in organizing to effectively deliver housing are a serious impediment to orderly development in growth areas in the province and a threat to the attractive harmony of the natural and man-made environment still enjoyed throughout most of the province.

At present a number of factors hamper the full exploitation of these opportunities. As indicated in the regional paper, prices in the housing sector have been rising more rapidly than incomes, and effective demand has been declining relative to total need. The public sector has been able to compensate to some extent with expanding public housing programs by gradually raising the income levels for which subsidies are available; by reducing down payment requirements; by increasing the proportion of income individuals are allowed to direct to mortgage payments; and by extending the period of repayment. However, this has not been sufficient and people in Nova Scotia in the \$8,000 to \$10,000 income range are now effectively out of the commercial market. Government programs have not yet been designed to subsidize their requirements.

It would appear, in assessing the situation, that along with government efforts to sustain effective demand through subsidies, there are opportunities as well for initiatives to assist the elements of the private sector and of the public sector concerned with housing to adjust and integrate their efforts in a manner which would permit an overall improvement in performance. The backlog of housing needs described in the regional paper could provide the base for effective integration of the market which will assist industry and government across the region to organize for forward planned production in a large and continuing market.

In these circumstances it would become possible, as well, to permit forward planning in the private sector for production of materials and components. In Nova Scotia this would generate expanding opportunities in production of wood products, wallboard and other components required in construction.

To achieve the scales required for effective performance, particularly for such elements of the industry as finance, and markets for some materials and components, would require a substantial effort at the regional level. The participation of Nova Scotia in this effort would add substantially to its potential for success and, within the province, would generate substantial viable economic activity in the production of housing and components. It could also, in centres such as Halifax-Dartmouth, the Strait of Canso, Pictou, Bridgewater and others, provide housing services to match the growth in population. The integration of production of components into this process would ensure increased activity in local communities as activity increases to supply needs in major centres. Finally a sensitive, effectively integrated industry organized to supply provincial housing needs would be able to provide designs and community layouts related to specific local landscape and lifestyles and to provide for rural and small centre housing as well as meeting major urban needs.

Manufacturing

Changing world trade patterns and new concepts in transportation modes and routes, provide Nova Scotia with unique opportunities for development. The strategic location of the province makes it feasible to intercept commodity flows, especially between the great markets of Europe and North American, and thus perform service, manufacturing and assembly operations for both. The province's exceptional harbour facilities and available labour force further enhance the possibilities. The realization of this would broaden the industrial base, give it considerable export potential; and

provide for the production of items now imported into the region. It would also mean less dependence upon the resource based industries.

A number of potential opportunities have been identified. In most cases market and feasibility studies, trade negotiations and aggressive promotion are the necessary steps toward their realization. Means are required to systematically pursue these possibilities in all their elements. Discussions with firms about their intentions in the current situation suggest that co-ordinated efforts might expand employment in this sector by 5,000 to 7,000 jobs. Direct initiatives and assistance, combined with initiatives on major fronts such as transportation and the resource sectors, could generate even more activity in the manufacturing sector. In addition, as outlined in the regional paper, there appears to be significant potential for growth in a wide range of activities initiated in response to the service and supply requirements of offshore drilling for oil.

AREA OPPORTUNITIES

Improved performance, responsiveness and viability in each of the major sectors could provide a strong framework to which groups of communities can relate their efforts to foster development. Such action, initiated at the local level, would in itself contribute to strengthening of the sectors. More important, however, deliberate initiatives of their own on the part of groups of communities would generate a good deal more in the way of potential for development, and could enable them to accept intrusions from outside systems on terms negotiated to their best advantage.

In the past it appears that the response of the local economy to elements of growth has been largely passive and with minimum participation. With a stepping up of activity in recent years, concern has grown about the effects of such outside induced growth on the environment and the way of life, and steps are being taken to establish administrative and legal controls as measures to contain the impact of developmental forces as much as possible.

In two or three centres in the province, however, including Pictou County, Halifax-Dartmouth and Bridgewater, the municipalities have moved with provincial help to take initiatives in a positive development process. Each is taking deliberate efforts to step out in an active response to development forces reaching through the province, to capture

some of the opportunities and to shape the impact of these forces on the community. In so doing these centres are generating activity which might well have passed them and the province by. They are also in a position to influence developments and, by constructive participation, negotiate for their best advantage.

The immediate opportunities for development within the reach of groups of communities concerned to act, could provide a focus around which the developmental process can be organized. The dynamics would develop in process as socially coherent communities move to work together to develop and maintain an identity and a viable economic base. From this would emerge the strategies, mechanisms and courses of developmental action appropriate to each area. These will only properly emerge from a self-assessment of opportunities, resources and aspirations within the local private sector and the community itself. Accordingly the brief outlines of possibilities which follow are provided only to show the possible dimensions of opportunity.

Cape Breton

The economy of Cape Breton is in a period of major change. Industrial development is already occurring at the Strait of Canso and, as indicated elsewhere in this paper, opportunities appear to exist for orderly creation of a major international heavy industry sector using the natural advantages of the deep water port. At the same time, the existing coal and steel operation around which the economy of Sydney and Industrial Cape Breton were built, are being maintained only by public sector intervention while through Devco, new initiatives are being taken to broaden and diversify the economic base.

This situation presents to governments, Devco, the private sector and the people of the area, far reaching challenges for developmental action. Organization and integration of action at the Strait of Canso on a scale which could encompass the full production potential would likely be a factor in realizing that potential. Opportunities exist as well to develop close transportation, communication and economic links between the strait and industrial Cape Breton. By these means the existing extensive public infrastructure and labour skills of the area could contribute to developments at the strait. Also with Devco's assistance, industrial Cape Breton could expand and diversify its economic activities, utilizing the well developed skills, the infrastructure and the existing manufacturing and industrial base in combinations which would capitalize on a location less than 100 miles from the core of a transportation gateway to the markets of the world.

For the balance of the region, its assets are its wilderness beauty, its forest resources, fishing and some agriculture. The communities could work together to preserve the environment and to organize for optimum benefits from tourism without losing their resource. The estimated tourist visits to Louisbourg for example were 350,000 in 1972. At the same time, groups of communities in areas within the region would be able to make the most of their particular resources whether they be high value fishery products, agricultural products including specialty products and perhaps sheep, or handicrafts and cottage industries.

The pressures of development on the entire region will be intense. Some of it will result from the anticipated rapid growth at the Strait of Canso. Part will be from acceleration of the already intense land buying pressure from outside the province. Land management should be a matter of high priority.

Antigonish, Guysborough and Pictou

Mining, lumbering, fishing, farming and manufacturing are the elements of the economy of this region. After Halifax and Cape Breton, Pictou county offers the largest base for manufacturing employment. Forestry resources are an important base for employment in the three counties, as is tourism. The fishing industry has begun to regain ground after the Canso plant was reopened and aggressive developments now occurring could generate substantial returns, particularly in conjunction with improved services and organization for market access. St. Francis Xavier University is a dynamic element in the region, providing service and expertise to the area.

Income variations within the region are substantial, with Pictou close to the provincial figure of 75 per cent of the Canadian average and Antigonish and Guysborough at 50 per cent of the Canadian average. The wide variations in situations and activities make it likely that the region would divide itself into at least three groups for developmental purposes. For all of them, however, a major change in their opportunities would occur through development of the transportation system, provided the communities are organized to take advantage of it.

The industrial manufacturing functions of Pictou county would be considerably strengthened by the transportation gateway. There are also opportunities in Pictou for feed grain and livestock production on a substantial scale and two or three small areas where particular environmental conditions would permit growth of specialty crops. Increased value added in the forestry sector is also a possibility, although likely to be some time in the future.

Antigonish is essentially an agricultural area with potential for the expansion and development of vegetable, fruit, beef and dairy farming. Tourist activity is expanding and can bring significant gains. The area, if well planned and managed, can also serve as a dormitory area for the Strait of Canso with attendant expansions in consumer services.

Cumberland, Colechester, Hants

Agriculture and manufacturing form an important part of the base of these three counties. Cumberland has a coal industry in a state of decline but Hants is richly endowed with a number of minerals of which gypsum is probably most significant. Forestry is an important employer in this region, accounting for about 24 per cent of the provincial forest labour force, 40 per cent of the softwood lumber and 19 per cent of the rough pulpwood. The area is on the main Trans-Canada highway carrying traffic to Cape Breton, Halifax and Prince Edward Island. Aggressive developmental action could generate increased returns from tourism and initiate the development of facilities and amenities for local recreation.

The natural advantages of the region are diverse and provide the basis for a viable future. The balance of a rich rural hinterland, well located urban centres, and reasonably adequate infrastructure add to the strength of the region; so does its location relative to markets and transport facilities. The manufacturing sectors in Truro and Amherst are diverse and for the most part well established. Moreover there is substantial capacity and diversity with respect to agricultural processing and wood products industries. Efforts at the provincial level to strengthen these sectors to facilitate marketing and production of higher value products would provide excellent opportunities for locally induced expansions of production.

Annapolis, Kings, Digby

Average earned income in this region is the lowest of the six regions of Nova Scotia - approximately two thirds of the average for the province. The population is not significantly urbanized, with the 87,000 people in the region scattered along the valley in six or seven towns. Kentville, the largest, had a population just over 5,000 in 1971.

This region is the prime agricultural area of the province. Fruit and vegetables, cattle, hogs and sheep, dairy farming and poultry are all produced in significant quantities. Farm numbers are declining as elsewhere but slowly. A serious problem is the expanding cottage and residential use of land, which is severely competing with agricultural production.

Forestry in the region accounts for 20 per cent of the provincial employment in the industry, with forest products evenly divided between lumber and pulpwood. Fishing is also a significant source of income with some 1,200 fishermen in the region. Lobster, scallops and groundfish are the main catch with over 50 per cent of all exports going as frozen fish in blocks for New England.

The fertile land, forest stands, fishing base and attractive climate, vistas and history make the area stand out as a prime example of a valuable Canadian asset. Through organization in the region to manage the land assets and turn the markets for specialty high value crops to advantage, the value of agricultural based production can expand; action can be taken to stop the erosion of the present economic base through alienation of agricultural land for other uses.

The opportunities are extensive; initiatives taken at the provincial, regional and federal level can provide the framework for dynamic local endeavour. As the opportunities develop to link into specialty market systems and into production of high value products such as prepared meals for institutions, extensive benefits would be forthcoming.

South Shore

The combined population of the four counties, Lunenburg, Queens, Shelbourne and Yarmouth, amounted to 92,700 in 1971 - an increase over the decade of 4.4 per cent, which is the provincial average. Average incomes are similar to the province in Lunenburg and Queens but substantially below in Shelbourne and Yarmouth. Major centres include Bridgewater, Liverpool and the town of Yarmouth with centres such as Shelbourne, Lunenburg, Mahone Bay and others where significant activity is also evident.

Fishing is the prime activity of the region, accounting for 40 per cent of all fishing employment and approximately 60 per cent of the value of total landings in the province. Groundfish and lobster account for over 85 per cent of the total value of landings for the region. Forestry is an important employer; the industry produces approximately 17 per cent of the provincial lumber output and 10 per cent of the pulpwood production. The bulk of manufacturing employment is in fish processing, although the balance shifted considerably with the establishment of Michelin at Bridgewater.

The opportunities for development are extensive, particularly in Yarmouth and Bridgewater, but also in other centres where the opportunities for high value fishery, forestry and pockets of specialty agriculture can emerge. Yarmouth, as

the point of entry from the United States, has virtually a guaranteed tourist traffic which is a large potential market and there is easy access to the United States markets for specialty products. The potential for development of fishery is extensive as the forecast export shipment of 500 containers of specialty herring for the coming year indicates.

Bridgewater, which has taken a strong developmental initiative, has instigated a number of developmental projects and changes and as a community has started down the road to developing the capability to shape its own future. The process requires help and encouragement, however, and a continuing concern on the part of its citizens.

Halifax - Dartmouth

Opportunities for development of the Metropolitan region are heavily related to the port and downtown core as outlined earlier in this document. A good deal of planning and forward thinking has been done by the community. With effective mechanisms to shape and guide its development, and the development of public-private sector capability to generate housing, the city in a few short years can be a dynamic and highly attractive place to live, contributing substantially to the social and economic opportunities, amenities and services of the province and of the region.

EXCERPTS FROM MINISTERIAL STATEMENT¹

The economic circumstances and opportunities outlined in this paper and similar papers for other provinces and regions of Canada have been produced as part of the review of policies and programs carried out by the Department of Regional Economic Expansion over the past year. This review, and tentative policy approaches resulting from it, were discussed by the Honourable Don Jamieson, Minister of the Department of Regional Economic Expansion, in his opening statement to the Standing Committee on Regional Development of the House of Commons on April 10th. Following are excerpts from that statement:

....When the Department of Regional Economic Expansion was established in 1969, it was given a broad mandate to bring together a number of predecessor programs and to develop a much more comprehensive attack on regional economic disparities....The Department was quickly organized; it gave new impetus to the programs it inherited, notably those concerned with rural development; it introduced major new programs placing an increased emphasis on federal support for public investment in infrastructure as a means of developing selected urban centres and on federal financial incentives as a means of stimulating private investment in job-creating plant and equipment; it reinforced its initial momentum with subsequent initiatives, notably those providing for different kinds of development corporations in the Atlantic Region and for assistance to agricultural service centres in the Prairie Region; and it was provided by

¹ Statement prepared for delivery by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Parliament with authority to increase its expenditures from \$240 million in its first year to over \$500 million in its fourth year of operation....The bulk of its activity has been carried out under federal-provincial agreements, providing it with a unique and challenging experience with co-operative working arrangements between the two senior levels of Canadian government....

Because of new ground being broken in a complex and largely unexplored field, it was understood from the beginning, in the context of a long-term federal commitment to the basic objective, that a degree of experimentation would be required and that, with the passage of time and the accumulation of experience, modifications and even basic changes in Departmental policies and programs would have to be considered. This was reflected in a number of public statements. It was reflected also in some of the underlying law -- for example, in provisions of the Regional Development Incentives Act setting time limits on the periods during which applicant companies could bring projects into commercial production and remain eligible for payment of offered incentive grants.

Against this background, a decision was made last spring to undertake a major review of policies and programs. The provincial governments were informed of the decision and were assured that the results of the review would be the subject of consultation with them as soon as possible in 1973. I would like to make it clear that, until consultations with the provinces have been completed, no final conclusions about our findings will be drawn and no final decisions about basic changes in existing programs or major new initiatives will be made.

The review has been conducted in what I consider to be a very thorough manner. A large number of studies have been made, using staff drawn from different parts of the Department and other federal agencies and a variety of outside consultants. Quantities of valuable information have been sought and obtained from the provincial governments. And, particularly in the latter stages of the review, there has been a substantial amount of inter-departmental discussion in Ottawa.

Although a good deal of attention has been paid to existing programs, particularly RDIA, the review has been essentially forward-looking, concentrating heavily on analyses of regional economic circumstances and opportunities -- the types of analyses that, in our view, should make a valuable contribution to decision-making about ways and means of improving the effectiveness of federal-provincial efforts to reduce regional disparities and produce more balanced economic growth across Canada

In working with my officials, and in discussion with my colleagues, I have become increasingly impressed by the range of opportunities for economic development that exist in most parts of this country and by the large number of public policies and programs that bear, or could be brought to bear upon a concentrated effort to realize some of these opportunities. This is what has led me to speak publicly in recent weeks about the possibilities inherent in a "multi-dimensional approach" -- an approach that would call for the identification and pursuit of major developmental opportunities by means of the co-ordinated application of public policies and programs, federal and provincial, in cooperation where appropriate with elements of the private sector. I intend to explore this concept with the provincial governments and am prepared to consider its use as a basis for new federal-provincial initiatives in the field of regional development.

Application of the concept would require continuing analyses of regional and provincial economic circumstances and opportunities. As part of our own policy review, as I mentioned earlier in my statement, we have devoted most of our resources to analyses of this kind. Staff papers setting forth the results of our work have been prepared for the Atlantic Region and each of its four provinces, for Quebec and Ontario, for the Western Region, each of its four provinces and an area called the Western Northlands that was arbitrarily defined for analytical purposes.....

Although based on a fair amount of staff work, the opportunities [outlined in the papers] do not represent federal commitments or federal proposals

for provincial or regional developmental strategies. They are designed simply to illustrate the potential advantages of an approach to development based on the identification and coordinated pursuit of major developmental opportunities....

Let me be very clear on one point. Consideration of possible changes and new initiatives will in no way affect the determination of the Government to continue its efforts to reduce regional economic disparities in Canada. Our commitment to the basic objective stands firm and has indeed been intensified by the results of our policy review. What we are now seeking, what we will continue to seek, are ways and means of improving the methods used to produce greater, more satisfying and more productive employment opportunities in the slow-growth regions of the country.

....The results of our review suggest that, although there is room for improvement, as there always is, the programs are producing beneficial results at a reasonable cost. Present commitments under all these programs will of course be honoured. The programs themselves will be continued unless and until there are clear indications, arising from federal-provincial consultations, that the funds involved can be redirected in such a way as to increase the effectiveness of the overall effort.

The present programs tend to focus on particular factors in economic development, each of which is important, and to provide financial assistance related to those factors. Most notable are the incentives program which is designed to stimulate private capital investment in manufacturing and processing facilities, and the special areas program, which is designed to stimulate public capital investment in defined growth and service centres. I have no doubt that federal government support for capital investment in slow-growth areas will continue to be an important element in regional development policy. But it may be that available support for this factor can be made more productive if it is made more flexible, so that it can respond to developmental opportunities that do not fall neatly into the categories of secondary manufacturing investment and

special areas infrastructure investment. I will therefore be exploring with the provincial governments ways in which the staff and financial resources of my Department could be used more flexibly in a manner that would be even more responsive to variations, from region to region and province to province, in economic circumstances and opportunities.

....It is my tentative conclusion that optimum results in developing our slow-growth regions will require the coordinated application of policies and programs that bear upon specific opportunities. What I am contemplating is a continuing process whereby the federal and provincial governments could identify major developmental opportunities and pursue them together, endeavouring to use the relevant policy instruments available at both levels of government. DREE programs, marked by increased flexibility, would be among the relevant instruments.

Perhaps an example would help to illustrate the suggested approach. In parts of some slow-growth regions, the forests provide an important potential foundation for increased employment and production. At the present time, my Department can help to build on that foundation by assisting in studies of the resource base and the market possibilities and by providing incentives for private investment in wood-using processing and manufacturing facilities. But optimum results may depend on a wide variety of factors. Improved access to markets, involving trade and transportation policy, may be involved. Land tenure laws or practices may affect the situation. Special efforts in both the public and the private sector may be needed to avoid environmental damage. Existing storage and distribution facilities may represent an impediment. Community development may require support for both the planning and capital investment required to accommodate industrial facilities and provide a reasonable quality of life for workers in both woods and plant activities. Man-power training or mobility programs may be desirable or necessary. These are only some of the factors that could be involved in realizing a potential opportunity. In such circumstances, optimum results may call for concerted action by a number of organizations in the private sector and in the federal, provincial and municipal segments of the public sector.

The example may help to indicate why I am

suggesting a "multi-dimensional approach". It seems to me that such an approach could be developed over time as a means of strengthening the federal-provincial attack on regional disparities by focussing, in a manner consistent with national goals, on strategic opportunities for economic development in the regions of slow-growth throughout Canada. As I have already indicated, there appear to be many opportunities to expand employment and production in these regions in a manner that could contribute to total national wealth. It seems to me that, if properly developed, the suggested approach might attract the strong support of the private sector, which has been known to complain about the lack of government coordination in matters affecting economic development.

A good deal of thought has been given to the mechanisms that might be used to apply the concept, which would call for a high degree of interdepartmental coordination at both the federal and provincial levels of government. I think that appropriate mechanisms could be developed and I also think that, if the potential benefits to the Canadian people were demonstrable, the required degree of intergovernmental and interdepartmental coordination could be achieved.

The proliferation of public programs over the last twenty-five years has made improved government coordination a matter of some urgency in our society. I am not naive, however. I know that experience would suggest that coordination for its own sake, in the abstract, is difficult to achieve. But I am not talking about coordination in an abstract sense. I am talking about coordination in pursuit of limited and carefully defined objectives related to major developmental opportunities that have been identified jointly by the two senior levels of government. It seems to me that this kind of coordination should be regarded, not just as possible, but as something close to essential in this country.

I might mention in passing that, in planning the reorganization of the Department required to achieve the increased decentralization referred to in the Speech from the Throne, we are endeavouring to build in elements that would enable us to play an effective role in the development of a "multi-dimensional" approach to regional development in

Canada. Planning for the reorganization is now moving ahead quickly and I hope, before too long, to announce our intentions in more specific terms.

One final point. Today I have spoken at some length about a possible new approach to regional development. I am optimistic about its potential and I believe that, if it were to be applied as a basis for new initiatives, with the full support of the provincial governments, it might in time increase rather dramatically the effectiveness of the national effort to reduce disparities. But I am very conscious of the danger of raising expectations to unrealistic levels. The suggested approach could be a means of bringing about important improvements in federal-provincial cooperation in matters affecting economic development. It could be a means of moving us more rapidly toward important national goals. But I am not offering it as a panacea. I do not believe in instant solutions.

